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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000307

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MMALLOY
COMMERCE FOR 4431/MAC/WH/JLAO
SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 03/10/2019

TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [EINV](#) [EAGR](#) [VE](#)

SUBJECT: VENEZUELAN GOVERNMENT "HITS THE ACCELERATOR" ON
INTERVENTION IN THE ECONOMY

REF: A. CARACAS 290

[1](#)B. CARACAS 305

[1](#)C. 2008 CARACAS 1443

[1](#)D. CARACAS 280

[1](#)E. CARACAS 265

Classified By: Economic Counselor Darnall Steuart for reasons 1.4
(b) and (d).

[1](#)1. (C) SUMMARY: The government of the Bolivarian Republic of Venezuela (GBRV) has dramatically increased its intervention in the Venezuelan economy in the weeks following President Chavez's successful February 15 bid to abolish presidential term limits. As the price of oil remains low, the GBRV recognizes it will be increasingly unable to resolve food shortages with imports. Rather than stimulating domestic private sector production, the GBRV seems to be opting for direct government control over the food supply with a marked increase in farm nationalizations and a renewed interest in agricultural "communes". Over the past week, President Chavez has made expropriation threats regarding both Cargill and Coca-Cola FEMSA properties and has increased scrutiny of Heinz. Some commentators suggest singling out large US companies is a deliberate attempt to provoke a confrontation with the Obama administration. END SUMMARY.

IS CHAVEZ TARGETING US COMPANIES?

[1](#)2. (C) There are approximately 58 rice processing plants in Venezuela. Cargill has only one plant and 1.6 percent of the rice market (ref A). Cargill staff have repeatedly stated that they have done everything in their power to comply with government regulations and stay out of the press. Nevertheless, during Chavez's weekly TV program "Alo Presidente" on March 8, Chavez again attacked Cargill saying "they say they do not have the machinery to produce the other type of (price regulated) rice... they say it is damaged, well it is damaged because they abandoned it here, they dismantled the machines, is it that they think I'm a 'pendejo' (politely translated as fool)?" He continued later in the program saying "The people of Cargill said they want to cooperate. Well great, thanks, let's cooperate then, give me everything..." (NOTE: See ref B for the status on the government's plans to nationalize a Cargill rice plant. END NOTE.)

13. (C) During the March 8 "Alo Presidente" Chavez also spoke at length about a large parking lot Coca-Cola FEMSA owns and uses to park delivery trucks saying, "Here it is, this is the result of an abuse by the bourgeois capitalist state that favored and still continues to favor the powerful, in this case a transnational that is taking advantage of us and sees it as normal that it has a hectare of flat, solid earth and the poor over there are thrown out like trash." He continued saying "Coca-Cola I tell you to go now, I ask you to go now... I am giving the company Coca-Cola two weeks to move, in a voluntary manner, from this ground." Chavez later said he planned to use the property for low income housing. While Coca-Cola Venezuela's primary share holder is the Mexican company FEMSA, the US-based Coca-Cola company owns a third of the shares and Coca-Cola remains an emblematic US brand (ref C).

14. (C) Embassy staff plan to meet with the President of Heinz Venezuela, Eduardo Benatuil, on March 12 to discuss the GBRV's heightened scrutiny of Heinz operations, which the Venezuelan Consumer protection agency INDEPABIS inspected the week of March 2. Heinz has been very creative in launching products, such as Ketchup Light and flavored ketchup, that fall outside of government price controls. This may open Heinz up to government retaliation similar to Cargill's experience with producing parboiled rice rather than the government-regulated white rice (ref D).

OR ARE ALL COMPANIES IN HIS SIGHTS?

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15. (C) Chavez recently proclaimed he is "hitting the accelerator" on "socializing" the country. Since February 15, there has been a sharp increase in highly publicized land nationalizations and renewed discussion of "communes" with Chavez emphasizing that "ground is not private, rather it is social property... this earth is the property of every Venezuelan." The two most publicized "interventions" in past weeks have been the "Hato El Maizal" and "Hato El Pinal" estates, which amount to nearly 8,000 acres. The smaller of the two estates, Hato El Pinal, is owned by Ireland's Smurfit Kappa. The media reports the estate is valued at over 500,000 Euros. Minister of Housing and Public Works Diosdado Cabello confirmed the decision to take the estates was "irreversible". In a sign that he is not done yet, during another public appearance on March 8, following his "Alo Presidente" show Chavez said "early, when the roosters are still crowing, we will intervene in more 'latifundios' (large agricultural estates)".

16. (C) On March 10, the press reported that the government has now "intervened" in the 6,900 acre "Hato Caroni" estate with plans to convert the farm into a "social production unit." Additionally, the government is in the process of "rescuing Hacienda Tamarindo", a sugar cane farm that produces 20,000 tons of sugar cane a year, and is evaluating whether or not it will nationalize a sugar processing plant owned by the prominent Cisneros group. (NOTE: In 2005, the GBRV expropriated sugar cane processing center "Cumanacoa". The government did not succeed in reopening the plant until 2008. The Sugar Cane Growers Association reports production has fallen for domestic sugar cane by 15 percent between the 2005 and 2008 harvests. END NOTE.)

17. (C) On March 4 Chavez said that his Minister of Agriculture Elias Jaua "wants me to inspect all the plants that produce corn flour, rice, cooking oil, toilet paper and tomato sauce. We will take strong measures in favor of the people if we find (companies) are not following the law." The President of INDEPABIS and new Minister of Commerce Eduardo Saman publicly committed to inspecting every plant in the country producing 12 staple foods ranging from margarine to rice.

COMMENT

18. (C) The President's recent threat to nationalize "all the bourgeois" suggests that Chavez has chosen further to centralize power in his own hands post-referendum rather than easing up on the private sector. As oil prices remain low, Chavez seems to be employing a dual pronged approach in response to Venezuela's waning ability to import essential goods: increase central government control over the food supply, as keeping food staples on the table is essential to maintaining himself in power, while blaming any resulting problems on the private sector and the US.

19. (C) Although the GBRV's apparent targeting of US-affiliated companies in the food processing sector could be mere coincidence, the attacks are more likely part of the new life Chavez is giving his decade-old strategy of attacking the US when things get tough at home (ref E). Chavez has not been as serious about threatening to nationalize US company assets since 2007 with his nationalizations of the telecom and electricity sectors. His recent attacks on the new US administration, as well as his renewed threats regarding US companies, have had some commentators suggest that Chavez is looking to provoke a confrontation with the US to distract attention from the domestic economic situation.

CAULFIELD